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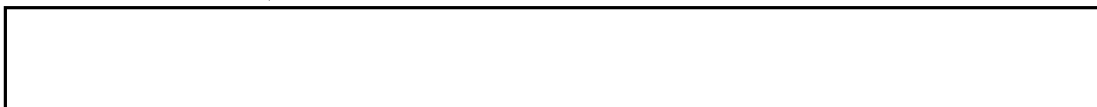
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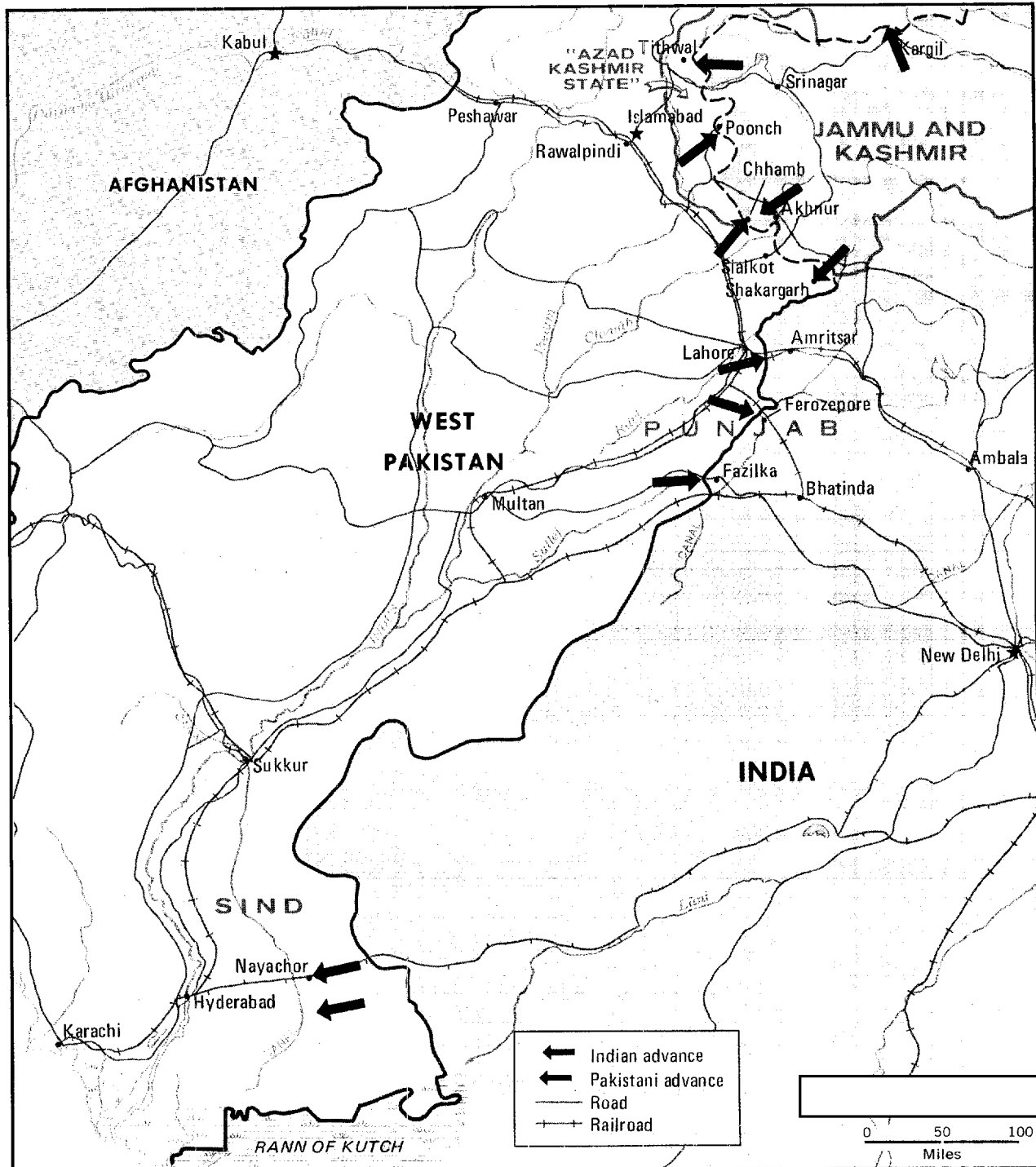
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INDIA-PAKISTAN: Military and popular disaffection with President Yahya appears to be on the rise in West Pakistan.

Just before Yahya ordered a cease-fire yesterday on the western front, a senior Pakistani Army officer told US officials that the majority of officers wanted to fight on rather than accept India's ultimatum. Another senior officer said yesterday that Yahya was finished because 80 percent of the officer corps now would no longer back him.

The US Embassy in Islamabad has also heard a good deal of criticism of Yahya's leadership from Pakistani civilians in the last two days

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In Lahore, the local chairman of Z. A. Bhutto's Pakistan People's Party (PPP)--the strongest party in the country--told the US Consul yesterday that the public will be looking for scapegoats, and that Yahya will be the main target of the people's wrath. The PPP also held a small anti-government demonstration yesterday in Peshawar.

Meanwhile, Yahya's plan for installing a civilian cabinet later this month may be heading for difficulty. Bhutto yesterday told a member of the US delegation to the UN that he was no longer willing to accept Nurul Amin as prime minister, and that Islamabad's military rulers must hand over power to the PPP as soon as possible. Bhutto had previously agreed to take the posts of deputy prime minister and foreign minister, with Amin, who heads a rival multi-party coalition, assuming the prime ministership. In addition, the PPP local chairman in Lahore told US officials that Bhutto may not wish to serve while Yahya is President because that would be too much of a political liability. A PPP leader in Islamabad told a US official yesterday that Bhutto had informed him by telephone that he would be coming home "in a day or two."

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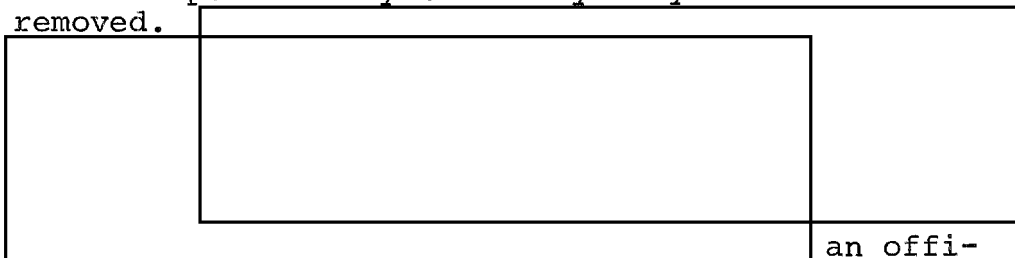
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C Yahya probably is deeply depressed over recent developments, and he might not feel much like trying to pick up the pieces. He pre-recorded his broadcast of 16 December to the nation, and no US official has reported seeing him for several days. Foreign correspondents in Rawalpindi are speculating over the possibility that Yahya may be about to be removed.



an official Pakistani spokesman stated on 16 December that Bengali leader Mujibur Rahman's trial has ended and that a military court is now considering a verdict. The completion of Mujib's trial has been falsely rumored several times in recent months, however. Some newsmen are speculating that the Indians might demand Mujib's release in exchange for West Pakistani soldiers taken prisoner in East Pakistan, but there is no evidence as yet to indicate that the Indians plan to make such a demand.

The cease-fire on the western front went into effect on schedule yesterday morning after Pakistan had announced that it would halt firing at 0930 EST, coinciding with India's cease-fire. Reporting on the military situation has been sketchy since then, making evaluation of the cease-fire's effectiveness difficult. In Lahore, the US Consul reported that heavy artillery fire could still be heard early this morning. The cease-fire in the 1965 Indo-Pakistani war was followed by a number of serious violations by each side which gradually diminished over a period of a few weeks.

According to the Indian press, India holds about 1,400 square miles of West Pakistani territory to Pakistan's 60 miles of Indian territory. Each

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country apparently made some relatively small advances into the other's territory in the Kashmir and Punjab areas, and the Indians took a much larger piece of territory further south in a sparsely populated desert portion of Pakistan's Sind Province. How the process of territorial restoration or re-adjustment is to be carried out has not yet been announced.

In the East, Indian officers and Mukti Bahini guerrilla leaders in Dacca were reportedly trying to establish order yesterday and to prevent Bengali acts of revenge against Pakistani soldiers and their local collaborators. There were some reports of scattered street fighting, but it appeared to be random and disorganized and to be diminishing as the day wore on. Outside Dacca, Pakistani soldiers in a few outlying areas apparently had not received word of the surrender and were still resisting.

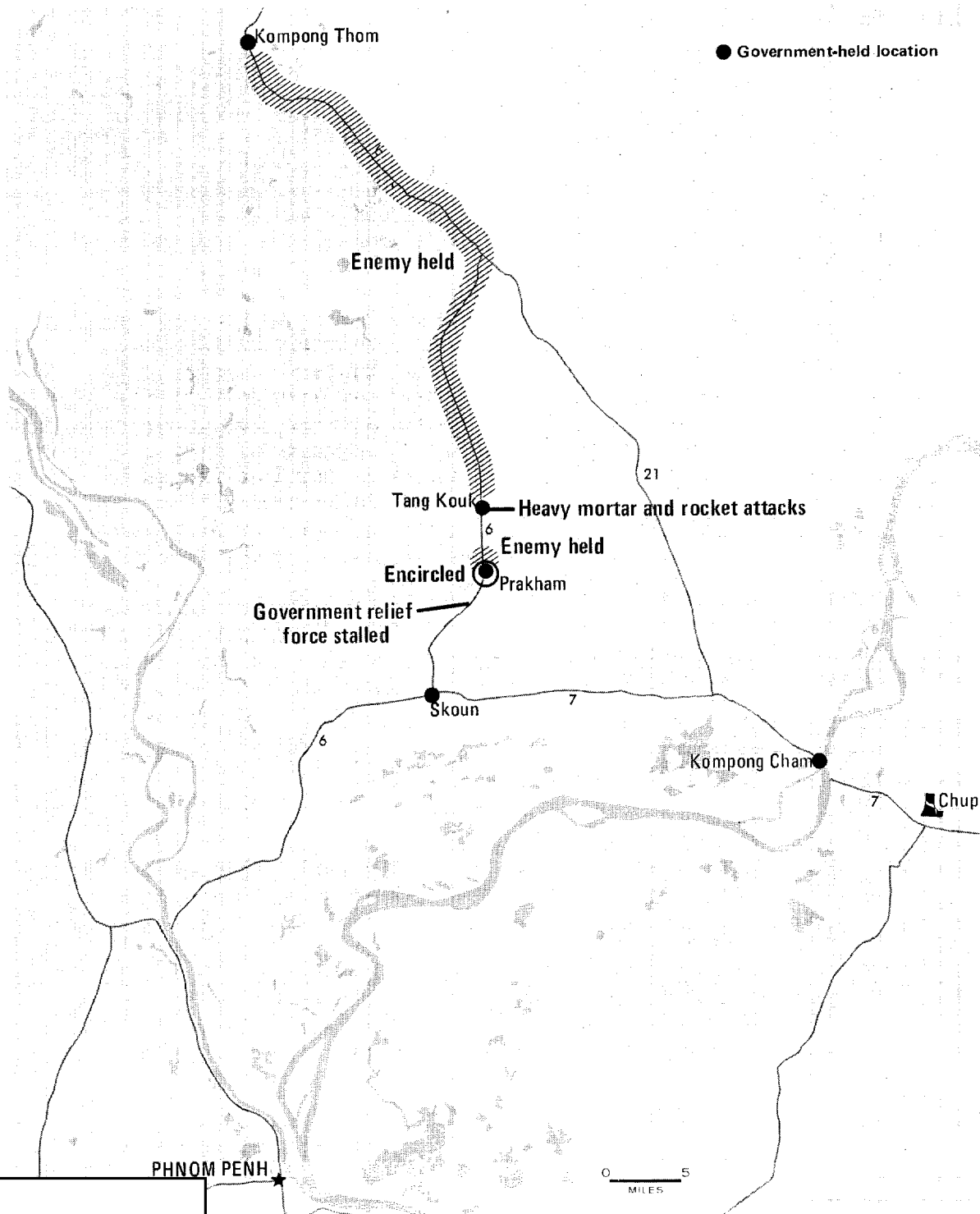
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CAMBODIA: Route 6 Area



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CAMBODIA: Government positions on Route 6 are once again under heavy attack.

Enemy forces have encircled Prakham, inflicting substantial casualties on its defenders and preventing evacuation of wounded. The two government battalions defending the village will attempt to withdraw from their positions with the help of a four-battalion relief column that is on its way from Skoun. This column is having trouble moving along damaged portions of Route 6, and itself has come under Communist rocket fire.

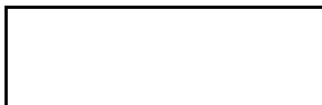
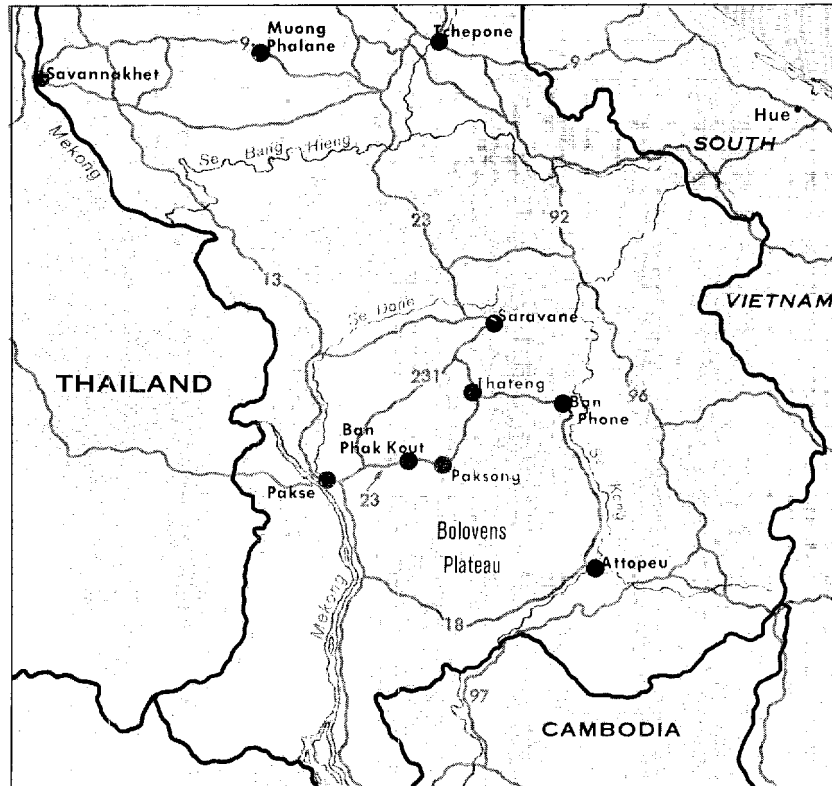
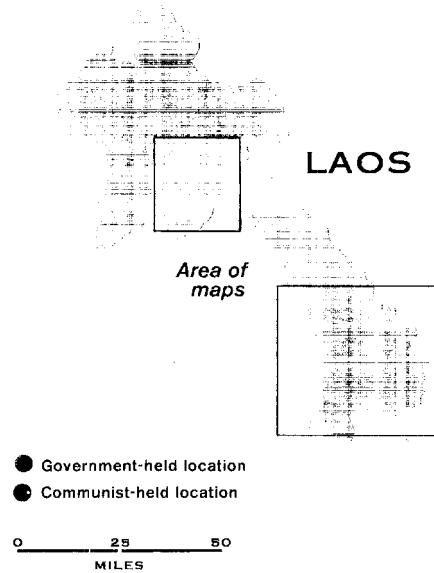
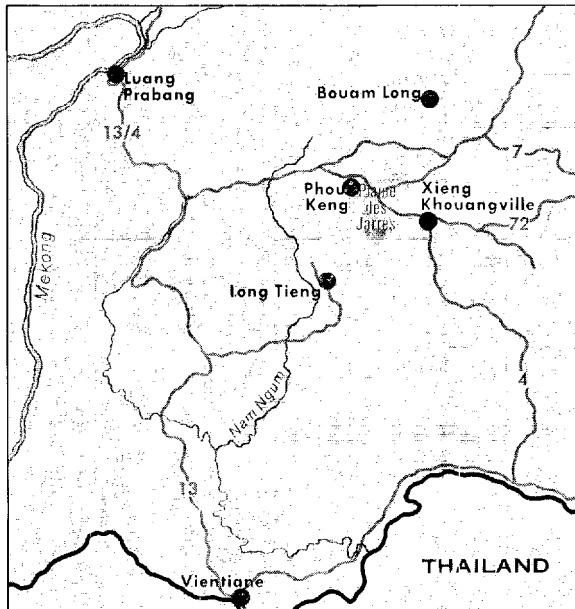
There has been little change in the situation at Tang Kouk in the past few days; the Communists continue to carry out regular shelling attacks and ground probes against government positions in and around that village. Cambodian unit commanders at Tang Kouk maintain that they can no longer maneuver effectively and are adopting a static defense posture.

Lingering Cambodian hopes that South Vietnamese operations to the east would force the Communists to withdraw more troops from the Route 6 area have been dealt a blow by the sudden but orderly withdrawal yesterday of the South Vietnamese from the Chup rubber plantation. The pull-back apparently was prompted in part by reports that additional Communist troops were moving toward the northern reaches of the plantation.

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LAOS: Government forces have suffered a new setback on the Bolovens Plateau.

A four-battalion irregular task force attempting to take a high point eight miles north of Paksong was dispersed on 16 December by a North Vietnamese battalion. Part of the irregular force has withdrawn to Ban Phakkout on Route 23 west of Paksong; the remainder is still unlocated.

To the north, two irregular task forces, which have been under increasing enemy pressure for the last two weeks, have concluded their sweep operations near Thateng. During the month-long operation, the forces had destroyed several enemy trucks and small supply caches while drawing a strong North Vietnamese force to protect this sensitive rear area.

The dispersal of the force near Paksong and the withdrawal of the Thateng forces will make it easier for the North Vietnamese to move men and supplies onto the Bolovens. The Communists may soon move on Paksong town, which is currently defended by some seven government battalions.

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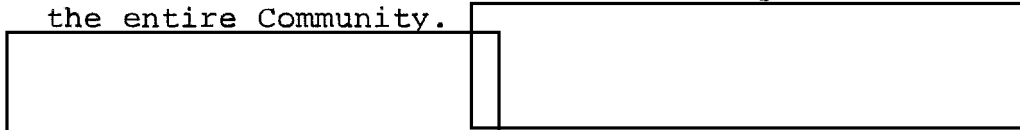
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EC-US: The trade concessions which the EC Commission has now been authorized to negotiate with the US are very limited in scope.

The negotiating mandate rejects the US request that the EC reduce certain grain prices and affirms that trade negotiations with the European countries which are not candidates for EC membership will continue. The limited concessions which the EC will offer--withholding grains from the export market and on US exports of citrus fruits and tobacco--apparently are contingent on reciprocal concessions by the US. The EC, however, will agree to negotiate later in GATT on trade problems caused by the EC's enlargement and thereafter to participate in a review of the international trading system.

The EC's response reflects its belief that the demands submitted last week by the US are excessive. Some of these demands, the EC believes, would require basic policy adjustments which are unacceptable and politically impossible for some members of the Community. German agricultural minister Ertl has told an American Embassy official, for example, that he would resign rather than accept another reduction in German farm prices--a contingency that could shake the Brandt coalition.

France, which from the beginning has taken a hard line on the trade issues, is showing concern that the US may feel that the EC's position is an inadequate follow-through to the understandings reached between Presidents Nixon and Pompidou. After the French Council of Ministers meeting on Thursday, a press spokesman noted that the narrowness of the mandate was essentially confirmed before the Azores summit and was the expression of the entire Community.



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CHILE: The success of the opposition rally on 16 December and a jump in the cost of living are giving President Allende's opponents new assurance and ammunition.

The Christian Democrats rallied a near-capacity crowd in the National Stadium, even without the standard provision of free transportation, thus outdoing the show staged there for Fidel Castro two weeks earlier. The crowd would have been even larger and more enthusiastic if the sponsors had not created a highly partisan atmosphere that alienated the more conservative groups. Christian Democratic President Fuentealba's hard-hitting speech promised a strong opposition and reaffirmed the case for impeaching Interior Minister Toha. He also reiterated that his party was ready to join Allende in a genuine effort to build a new Chile.

Fuentealba also said that his party would support the National Party's formal impeachment motion against Economy Minister Vuskovic, introduced on 15 December on charges of rigging the official consumer price index. The decision to move against Vuskovic was made on the grounds that he faces opposition from moderate economists within the government, is more vulnerable to impeachment than Toha, and plans to nationalize a large number of firms in the next few weeks to bolster government candidates in legislative by-elections next month. The two parties have enough congressional strength to carry through the impeachment if they can avoid the difficulties that have blocked many past attempts to coordinate their efforts.

A 2.7-percent jump in the consumer index in November raised the inflation rate for the first eleven months of this year to 18.8 percent. The November increase is significant because prices are usually stable during this early summer season when fruits and vegetables are normally plentiful. The government has admitted publicly the growing

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seriousness of food shortages, which weigh heavily in the index. It has sent a meat purchasing mission to Africa, New Zealand, and Australia and taken steps to increase production and to take over most of the food distribution network.

If the December increase continues the trend, the cost of living will have risen 22 percent this year, four percent above government predictions. This would lead to pressure for an equal increase in the traditional January wage readjustments, which are keyed to the price index, and pose a serious problem for the hardpressed economy. Workers such as copper miners who are not restrained by the official agreement with the Chilean Trade Union Confederation will undoubtedly use the accelerated inflation rate as further justification for their current high wage demands.

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HONDURAS: Severe economic and fiscal problems make it almost certain that the Ministers of Economy and Finance will be replaced in the cabinet changes expected to be announced on Christmas Eve.

A lack of leadership and government planning has contributed significantly to the growing fiscal problems which were allowed to reach crisis proportions before any action was attempted. The finance minister submitted the 1972 revenue and tax bills to Congress only last month and neither has yet been passed. Both have drawn severe criticism from the planning council and the business sector as unrealistic. Even if most of the proposed tax increases are approved, another large deficit is expected in 1972.

The economy in general has suffered greatly from the virtual collapse of the Central American Common Market. Largely because of Honduras' own intransigence, recent negotiations with Nicaragua, Guatemala, and Costa Rica have produced neither bilateral agreements nor a restructuring of the Common Market. Furthermore, incompetence and infighting at the cabinet level have given critics of the government additional ammunition.

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USSR-CUBA: The main body of the Soviet naval group that visited Cuba last month is now in the Mediterranean, but a Kashin-class destroyer and an F-class diesel attack submarine remain in Cuban waters. The submarine, which apparently sustained some damage after leaving Havana on 9 November, put in at the Cuban naval base at Mariel for minor repairs the next day and has since operated from there. The Kashin arrived at Mariel on 23 November after accompanying the rest of the task force to Cienfuegos.

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AUSTRALIA-CUBA: The Australian branch of a Canadian-owned firm is negotiating to expand its sales of sugar harvesters to Cuba. The Massey-Ferguson Company delivered 100 units to Cuba during 1971 and hopes to ship an additional 100 to 200 units during 1972. The sale, valued at from \$3 to \$7 million, is expected to be concluded this spring. Because of the small quantity involved, the new harvesters are not expected to have a significant impact on Cuban sugar production. The harvesters are being used to supplement those purchased from the USSR, which are not adaptable to Cuban climatic and geographic conditions.

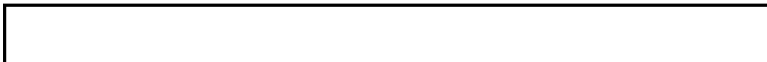
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DENMARK: The Social Democratic government has introduced legislation aimed at substantially reducing the size of the Danish armed forces. The standing army would be reduced from 13,000 to 7,000, the navy would emphasize the use of smaller vessels, and nine authorized air force tactical units would be cut to six. The term of service for conscripts, currently ten to 12 months, would be reduced to five or six months. Nearly all Danish military forces are committed to NATO and their already deficient contributions would be considerably lessened if the legislation is passed. The proposal does not have the blessing of the Socialist Peoples' Party, which normally supports the present minority government, and the Social Democrats apparently hope for support from the opposition parties. The issue is certain to evoke prolonged debate and the proposed changes would not take effect before 1973 in any case.



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COLOMBIA - ANDEAN GROUP: The Colombian Supreme Court has ruled that the government acted unconstitutionally in implementing the Andean Foreign Investment Code by executive decree without seeking congressional approval. The decision is a victory for the business community, which wants some restrictive provisions of the code and the decree modified or eliminated. Judicial formalities, however, will probably allow the code to remain in force until late January, and President Pastrana may still be able to bypass the congress at least temporarily by declaring a state of economic emergency. Nevertheless, the court's action complicates Colombian participation in other Andean Group measures and adds to uncertainty over the code raised by prospective negotiations aimed at having Venezuela join Bolivia, Chile, Colombia, Ecuador, and Peru in the subregional group.



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